

The Regional
Municipality of
Ottawa-Carleton

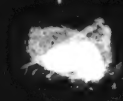


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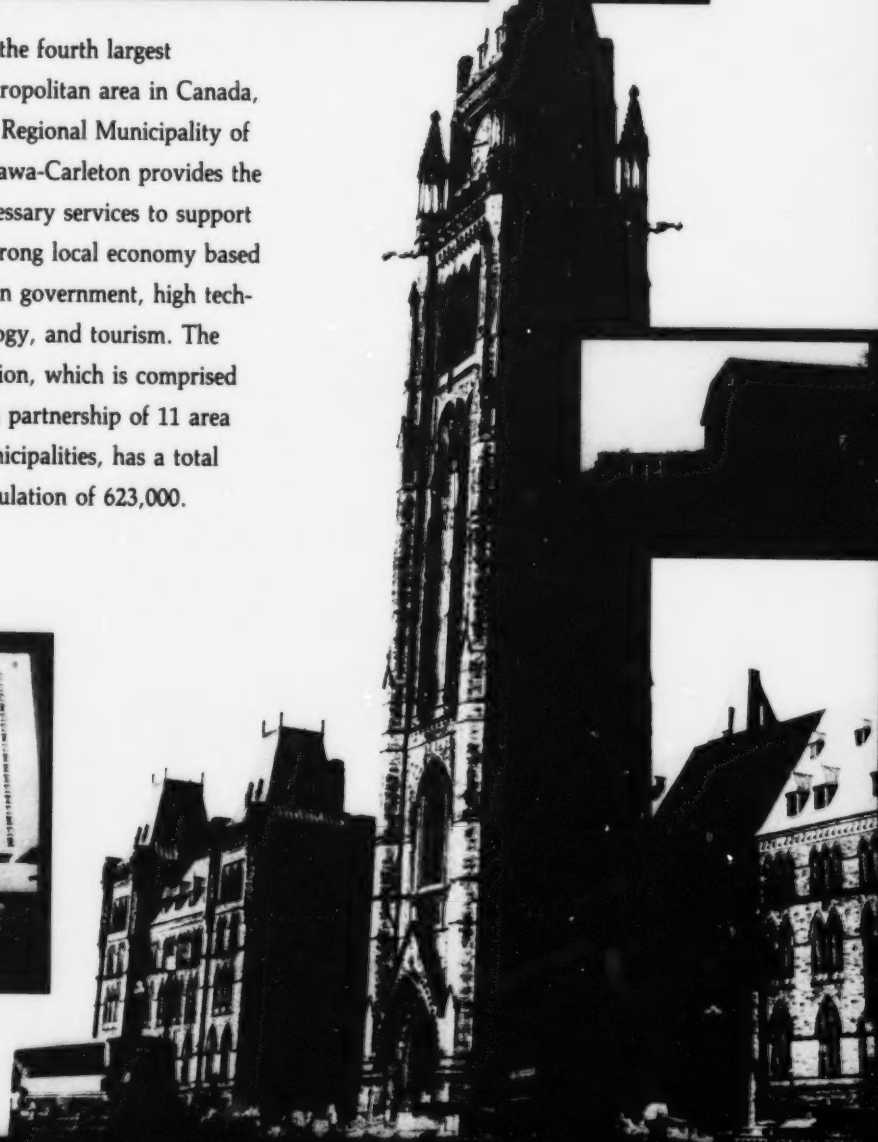
The Corporate Mission Statement

We are committed to the social,
economic and environmental well-being
of the Ottawa-Carleton community.
We are dedicated to providing our
citizens quality service, delivered with
care, competence and integrity.

Quality of Life in Ottawa-Carleton



As the fourth largest metropolitan area in Canada, the Regional Municipality of Ottawa-Carleton provides the necessary services to support a strong local economy based upon government, high technology, and tourism. The Region, which is comprised of a partnership of 11 area municipalities, has a total population of 623,000.



1989 Council Members

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HARRY ALLEN
Mayor
City of Gloucester
Executive Committee Member



ALBERT BOUWERS
Mayor
Township of Osgoode
Executive Committee Member



PETER CLARK
Mayor
Township of Cumberland
Executive Committee Member



JIM DURRELL
Mayor
City of Ottawa
Executive Committee Member



JAMIE FISHER
Alderman
City of Ottawa
Executive Committee Member



BEN FRANKLIN
Mayor
City of Nepean
Executive Committee Member



JACQUELIN HOLZMAN
Alderman
City of Ottawa
Executive Committee Member



DARNEL KENT
Alderman
City of Ottawa
Executive Committee Member



DES ADAM
Mayor
City of Kanata



GLENN BROOKS
Mayor
Township of Rideau



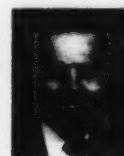
GEORGE BROWN
Alderman
City of Ottawa



EDWARD CAMPBELL
Alderman
City of Gloucester



GUY COUSINEAU
Alderman
City of Vanier



ERIC CRAIG
Mayor
Twp. of W. Carleton



FIONA FAUCHER
Alderman
City of Gloucester



PETER HARRIS
Alderman
City of Ottawa



DIANE HOLMES
Alderman
City of Ottawa



GORD HUNTER
Alderman
City of Nepean



JAMES JONES
Alderman
City of Ottawa



TIM KEHOE
Alderman
City of Ottawa



GEORGE KELLY
Alderman
City of Ottawa



GISELE LALONDE
Mayor
City of Vanier



MARC LAVOLETTE
Alderman
City of Ottawa



AL LONEY
Alderman
City of Nepean



MARK MALONEY
Alderman
City of Ottawa



MICHAEL MCSWEENEY
Alderman
City of Ottawa



PATRICK MURRAY
Mayor
Vill. of Rockcliffe Park



JOAN O'NEILL
Alderman
City of Ottawa



FRANK REID
Alderman
City of Nepean



NANCY SMITH
Alderman
City of Ottawa



LYNN SMYTH
Alderman
City of Ottawa



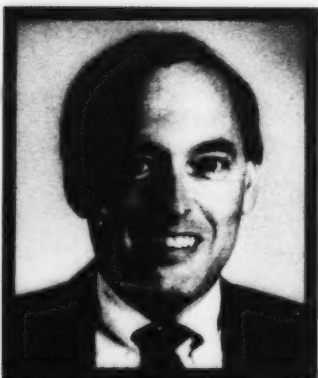
ANTON WYTENDBURG
Mayor
Twp. of Goulbourn

Message from the Chairman and Chief Administrative Officer

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Andrew S. Haydon
Chairman



Ronald S. Clark,
Chief Administrative Officer

In review, 1988 was clearly a year of many accomplishments for the Regional Municipality of Ottawa-Carleton. Our operational and capital expenditures demonstrate the Region's commitment to the following six corporate priorities:

- managing growth with efficiency
- protecting our environment
- maintaining our precious quality of life
- caring for people (particularly our youth and our seniors) and our community
- implementing effective long-range financial planning
- practising a commitment to excellence in public service.

Our commitment to managed growth is essential as our population exceeded 623,000 in 1988. As the *fastest growing metropolitan area in Canada*, we will continue to experience pressures associated with rapid urban development. Accompanying rapid growth is the challenge of providing sustainable, well-planned development for our citizens. This challenge of managing growth was met during 1988 through the adoption by council of our new Regional Official Plan. This new vision provides an effective framework for shaping the future growth of the Region well into the next century.

Our commitment to environmental protection was exemplified in 1988 by starting our capping program at the Trail Road Landfill Site using contemporary technology. In 1988, we began the expansion of the Green Creek Pollution Control Centre. The 1989 Budget provides \$69 million to continue the phased construction of this crucial facility. When completed, the Green Creek facility will provide state-of-the-art environmental treatment.

Both our 1988 achievements and the 1989 Budget allocations show the Region's corporate commitment to caring for people and our community. The 9-1-1 Emergency Reporting System began operation on June 22, 1988. It is anticipated that 9-1-1 will respond to about 200,000 calls during 1989. Our new 160-bed Homes for the Aged facility at Carleton Lodge neared completion in 1988, with the official opening scheduled for June 1989. The Heart Beat Program, the first large-scale community-based heart disease prevention program in Canada, introduced in 1988, will be expanded in 1989.





Our 1988 financial performance also reflected the Region's commitment to sound long-range financial planning. We reaffirmed our corporate commitment to the *twin financing principles* of user-pay and pay-as-you-go. During 1988, the Regional Development Charges policy was expanded to include commercial and industrial development. The 1989 Budget identifies almost \$70 million in growth-related infrastructure funded from Regional Development Charge reserves over the next decade. Our regional water system is fully self-financing, and over the next 10 years, no new debt is forecast for our transit system. The 1989 Budget saw the adoption by Council of an increased sewer surcharge to help offset the cost of rehabilitating our sewer infrastructure and providing essential pollution control service expansions at Green Creek — the largest public sector project in Canada.

Our Triple A credit rating, the highest rating available, attests to the financial strength of the corporation. Also, this statement of confidence by the international investment community clearly reinforces the pay-as-you-go policies initiated and maintained by Regional Council.

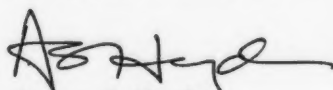
Also in 1988, a Budget Review Board process was introduced as a component of our corporate budget deliberations. This innovation has proved most successful in restraining expenditures and maximizing the taxpayers' investment.

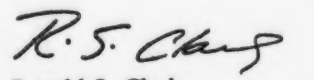
Our previous year's achievements also illustrate the Region's commitment to service excellence. During 1988, we published the first edition of our new corporate newsletter *The Phoenix*. We expanded our services to include a Staff Training Co-ordinator and a Director of Information and Public Affairs. As well, many new initiatives were launched, designed to improve communications with, and to provide information to, the Region's citizens.



The Region's accomplishments and aspirations support our commitment to the six corporate priorities. They reflect the quality of life enjoyed by the citizens of Ottawa-Carleton. Our success is due to the strength, vision and leadership of our Council and management team, and to the excellence of our Regional staff. We look forward with optimism to the challenges and opportunities of 1989.

It is with great pleasure that we present the 1988 Annual Report of the Regional Municipality of Ottawa-Carleton.


Andrew S. Haydon
Regional Chairman


Ronald S. Clark
Chief Administrative Officer

Department & Commission Heads

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R. S. Clark
Chief Administrative Officer

R. J. Anderson
Personnel Commissioner

G. J. Armstrong
Executive Director
Homes for the Aged

W. Bilyk
Information Systems Commissioner

J. A. Bonsall
General Manager
OC Transpo

G. Brown
Regional Clerk/
Administrative Co-ordinator

J. D. Cameron
Regional Solicitor

Dr. S. J. Corber
Medical Officer of Health

B. Eastwood
Director of Property Services

J. C. LeBelle
Finance Commissioner & Treasurer

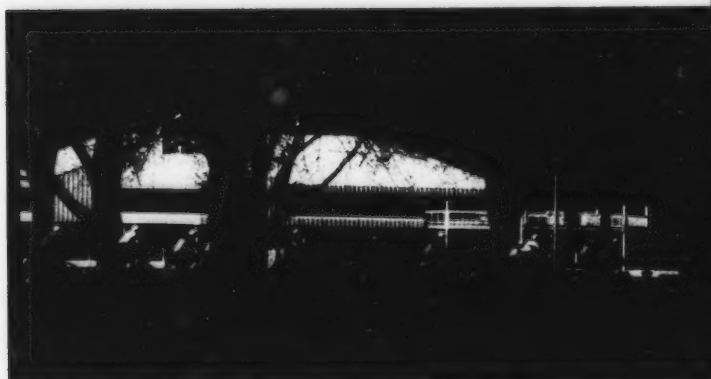
R. F. Palmer
Internal Auditor

R. O. Pickard
Environmental Services Commissioner

A. J. Pope
Social Services Commissioner

M. J. E. Sheflin
Transportation Commissioner

N. Tunnacliffe
Planning Commissioner



1988 — A Year in Review

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Highlights of 1988 Regional Achievements:

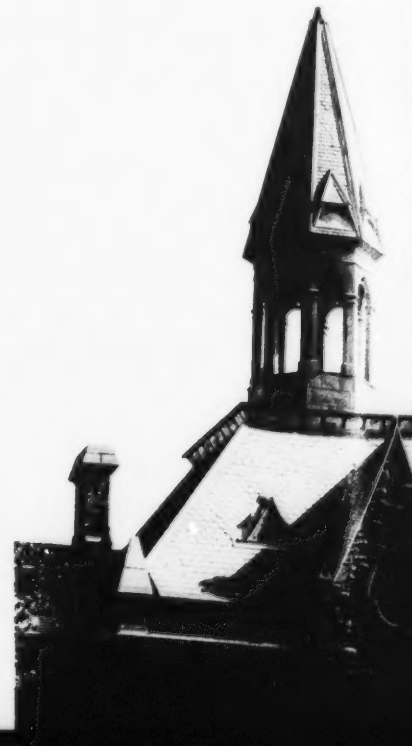
Growth with Quality:

- Regional Council adopted the new Official Plan which provides the framework for future growth well into the next century.
- The Transportation Department introduced a "Growth-Related" Capital Program to allow for earlier construction of projects which were necessitated by growth.
- The Environmental Services Department provided more than 126,000 homes, businesses and institutions with potable water distributed through 2,000 kilometres of waterlines.



Environmental Protection:

- An Environmental Services Committee was established in recognition of the ever-increasing need for environmental awareness.
- An impervious vinyl membrane was placed over 60 acres of the Trail Road Landfill Site as the first step of the Environmental Services Department's capping program.



Caring for People and Our Community:

- Beginning of construction of a new 160-bed Carleton Lodge Homes for the Aged Facility.

- The Heart Beat Program, which aims to reduce the incidence of heart disease through provision of heart-healthy food options in restaurants, as well as workplace and community event check-ups and healthy heart education, was successfully introduced.



- A variety of health and social services continued to be delivered through a unique system of Community Service Centres.

Sound Long-Range Financial Planning:

- New corporate financial and budgeting systems were developed.



- The Audit Department continued its program of comprehensive review of various Regional departments with emphasis on maximizing efficient and effective delivery of services to the public through sound management practices.

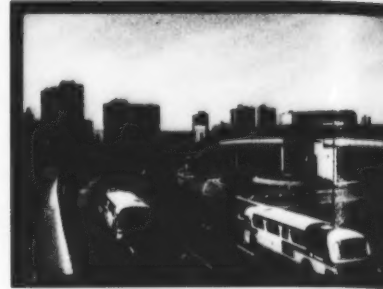
Commitment to Service:

- Construction of the new Regional Headquarters continued on schedule and within budget.
- A corporate records management program was introduced.
- A job evaluation/pay equity program, which represented more than four years of joint effort, was ratified by our largest bargaining unit.
- A Staff Training position was formalized which demonstrates an ongoing commitment to enhanced staff training.
- The first edition of our corporate newsletter *The Phoenix* was published and distributed to all employees.

The following efforts highlight the primary Regional objectives for 1989:

Growth with Quality:

- The extension of our Transitway system from St. Laurent Station to Blair Road is anticipated to be fully operational by year-end. The South East Transitway from Hurdman Station to Billings Bridge will begin construction this year. These extensions will provide faster, more efficient service for our rapidly expanding population.



- It is anticipated that the Ontario Municipal Board will approve the new Regional Official Plan, which is the framework for rational sustained growth.

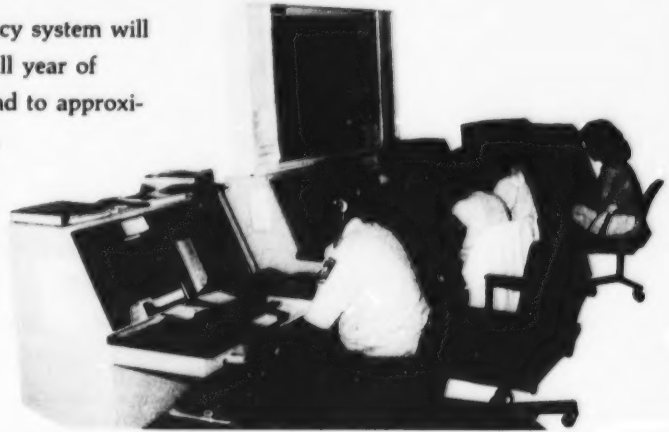
Environmental Protection:

- The construction of the primary sewage treatment facility at Green Creek is scheduled for completion by year-end. (This major undertaking is currently on time and within budget.)
- Preliminary funding has been identified for future implementation of waste management alternatives to serve our present and future requirements.
- Initiation of Household Environmental Clean-Up Days to provide citizens with an opportunity to properly dispose of potentially hazardous household materials.



Caring for People and Our Community:

- Official opening of our new Homes for the Aged facility at Carleton Lodge is scheduled for June.
- Expansion of the Heart Beat Program into grocery stores, cafeterias and blue collar employment centres.
- The 9-1-1 emergency system will experience its first full year of operation and respond to approximately 200,000 calls.
- Employment and retraining programs will provide improved work opportunities for more than 1,600 people.



Sound Long-Range Financial Planning:



- Implementation of strategic planning and budget development system improvements.
- Introduction and approval of a new sewer surcharge policy which provides innovative and cost-effective funding for sewer maintenance and sewage treatment plant expansion.

Commitment to Service:

- Introduction of the employee orientation program including the production of a motivational/informational video and an employee handbook.
- Completion of the new Regional Headquarters encompassing a new administration building and an 850-space parking garage, as well as restoration of a heritage building will provide much needed accommodation for administrative staff, legislative functions and public space.

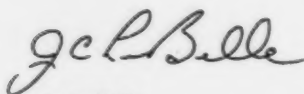
Finance Commissioner's Letter for Financial Report

I am pleased to present the 1988 Financial Report that details the financial results for the year and highlights the excellent financial position of the Region. These statements clearly point out the strength of the Region's financial position despite the pressures of coping with one of the highest growth rates in Canada and the resultant demands of services and structures. The Region has accomplished this feat and at the same time reduced reliance on debt financing. Many difficult financing decisions by Regional Council over the years, such as the introduction of development charges to pay for new infrastructure, now place the Region in this sound position in spite of having the largest capital spending program in the history of the Region.

As proof of this strength, the Region has been confirmed as a Triple A credit by both of North America's most highly recognized credit-rating agencies, a feat accomplished by only a handful of municipalities.

Our auditors, Clarkson Gordon, have examined the financial statements in the subsequent pages of the report.

I would like to take this opportunity to acknowledge the people who serve the residents of Ottawa-Carleton. Their dedication and ability to adapt and respond to changes make Ottawa-Carleton a great place in which to live and work.

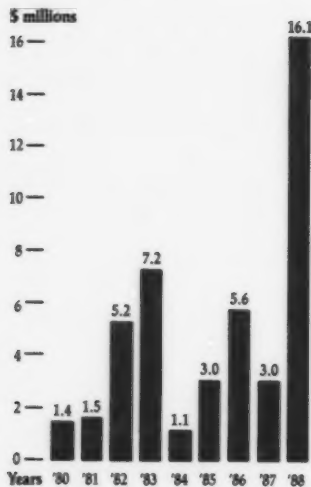


J.C. LeBelle,
Finance Commissioner

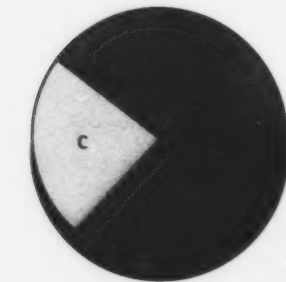
Year-End Position

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Surplus 1980-1988



1988 Operating Results Revenues



- A Levies (37%)
- B Grants (35%)
- C User Fees (28%)

Although the Financial Statements indicate a break-even operating situation, actual 1988 operating results recorded a \$16.1-million surplus.

Regional Council has adopted a policy whereby any operating surplus is contributed directly to capital reserve funds to augment the Region's pay-as-you-go program.

Since 1981, \$44.6 million in supplementary contributions has been used to reduce future borrowing requirements.

A significant portion of the 1988 operating surplus occurred within the Fiscal Services category. It is attributable, in large measure, to decisions taken by the Region in view of the condition of financial markets in 1988. With high interest rates prevailing during most of the year, capital projects were funded on a short term basis. Debentures which were forecast to be issued in 1988 were deferred to 1989 in anticipation of more favourable long term interest rates.

While in retrospect, this decision proved to be a prudent course of action, it resulted in lower expenditures for debt financing and other financial costs. This amount was used in the 1989 Budget to reduce the need to issue debentures in future years.

Operating Revenues and Expenditures

Revenue to fund the various Regional services and programs is received in the form of:

- government unconditional grants and direct subsidies for health and social services, road and bridge maintenance and transit operating costs
- user-fee revenue generated by water and sewer surcharge rates, tipping fees, transit fares and resident fees charged at the Homes for the Aged
- property taxes.

Over the last five years, property taxes, as a percent of total revenue, have remained relatively stable at about 37%. A major concern in 1989 and later will be the impact of provincial capping on various cost-shared programs in the social and health service areas, as well as the treatment of unconditional grants in the future. Continued reductions in provincial funding may result in a need to re-evaluate service levels and place additional pressures on the tax levy.

Operating Revenues and Expenditures

1988 Operating Results
Expenditures



A Roads (10%)	F Social (63%)
B Sewer/Water (13%)	G Health (9%)
C Transit (29%)	H Homes (12%)
D Others (8%)	I Day Care (13%)
E Social/Health (40%)	J Others (3%)

- caseload growth and welfare rate increases within the social assistance programs
- increased demand for day care spaces and services
- increased health care needs of elderly residents in the Region's Homes for the Aged.

Capital Program

Ottawa-Carleton continues to grow at a rapid pace; associated with that growth is increased demand for the supporting infrastructure — roads, bridges, sewers, water mains, transit systems and health care facilities.

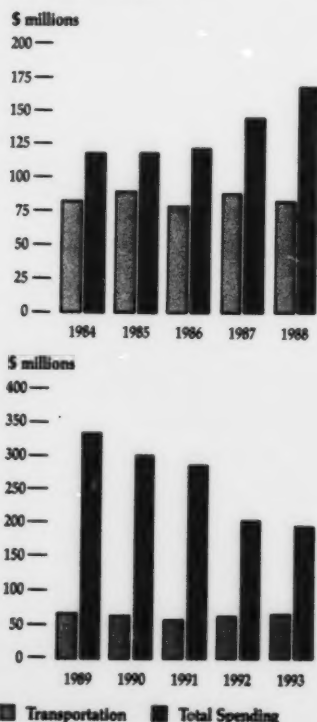
As illustrated in the five-year review section, transportation-related projects constituted the major portion of the Region's capital program.

While the Region will continue to expand its transportation system to meet needs of an ever-growing mobile population, it is also faced with major renovations and rehabilitation of the sewage collection and treatment system. Work on expanding the Green Creek Pollution Control Centre, estimated at \$399 million, has commenced and is expected to be completed by 1993. When completed, the Centre will provide a more environmentally sensitive process and allow for growth for the next several decades.

The changing health care needs of elderly residents in the Homes for the Aged is resulting in an ongoing conversion from residential centres to an extended care facility. To deal with this situation and the needs of an aging population, \$43.5 million will be spent over the next 10 years on upgrading facilities. During 1988, construction of a new 160-bed facility was completed to replace one of the Region's oldest homes and was officially opened in mid-1989.

Construction of the new Regional Headquarters which will provide both a home and an identity is nearing completion, with occupancy scheduled for early 1990.

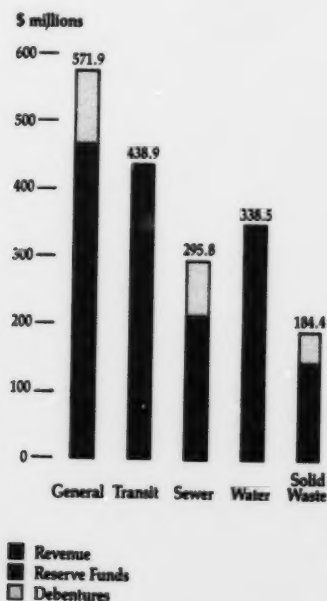
Capital Program



Capital Financing

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**Capital Forecast
Authority/Financing
1989-1998**



The demands for infrastructure outlined previously continue to place pressure on the financial resources of the Region.

Over the last 10 years, Ottawa-Carleton has taken a number of steps to ensure a responsible funding base to finance its future.

- Regional Development Charges (R.D.C.) were introduced in 1985 to recover a portion of the cost directly associated with providing services to new housing developments.
- Pay-as-you-go and user-pay approaches to finance capital programs have reduced the need to issue debt to finance capital projects.
- A new financing policy related to the maintenance and growth of the sewer system will reduce debenture authority requirements in 1989 and 1990 by almost \$43 million.

These initiatives and sound financial management have allowed the Region to maintain a relatively stable position regarding its year-end debt position over the last five years, despite capital spending of over \$660 million in the period. The financial integrity and health of Ottawa-Carleton is recognized throughout the international investment community through the Region's Triple A credit rating.

Financing of the Region's 10-year capital program is presented in the accompanying graph. The implementation of the policies discussed earlier has resulted in the Water and Transit systems being totally pay-as-you-go. In fact, examining financing of the future capital program, the Region will be able to fund a greater portion of requirements from reserves than from issuance of new debt.

Reserves and Reserve Funds

Reserves and Reserve Funds have grown from about \$73.8 million five years ago to almost \$160 million at the end of 1988, with over \$65 million committed to finance capital projects already under construction. The remaining balance is held for purposes such as growth-related capital projects, equipment replacement, foreign exchange costs on US\$ denominated debentures, and vested sick and annual leave liabilities.

Until actual spending occurs, these funds represent an important source of short term borrowing for the Region in meeting day-to-day operating cash requirements.



A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Clarkson Gordon

Chartered Accountants
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55 Metcalfe Street
Ottawa, Canada K1P 6L5
Telephone: (613) 232-1511
Telex: 053-4206
Telecopier: (613) 232-5324

To the Chairman and Members of Council
of The Regional Municipality of Ottawa-Carleton:

We have examined the consolidated balance sheet of The Regional Municipality of Ottawa-Carleton as at December 31, 1988 and the consolidated statements of operations and reserves and reserve funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of The Regional Municipality of Ottawa-Carleton as at December 31, 1988 and the results of its operations for the year then ended in accordance with the accounting principles described in note 1 to the financial statements, after giving retroactive effect to the change in the method of accounting for long-term debt as explained in note 2 to the financial statements, on a basis consistent with that of the preceding year.

Ottawa, Canada,
April 7, 1989.

Clarkson Gordon
Chartered Accountants

Consolidated Balance Sheet

December 31, 1988 (in thousands)

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	1988 \$	1987 \$
ASSETS		
Unrestricted		
User charges receivable	8,578	10,004
Accounts receivable - Ontario	42,323	46,055
- Other	5,046	7,462
Inventories	8,059	7,290
Deferred charges	8,447	6,526
	72,453	77,337
Restricted		
Investments (note 3)	110,017	60,383
Loans receivable	44,114	66,482
	154,131	126,865
Capital outlay financed by long term debt and to be recovered in future years.	202,012	193,504
Total Assets	428,596	397,706
LIABILITIES AND FUND BALANCES		
Liabilities		
Temporary loans	3,951	12,644
Accounts payable	52,578	31,593
Loans from reserve funds	44,114	66,482
Other liabilities	1,572	4,429
	102,215	115,148
Net long term debt (note 6)	202,012	193,504
	304,227	308,652
Fund Balances		
Reserves	5,369	4,957
Reserve Funds	154,131	126,865
Unfinanced capital operations (notes 8a and 8b)	(35,131)	(42,768)
	124,369	89,054
Total Liabilities and Fund Balances	428,596	397,706

(See accompanying notes to consolidated financial statements.)

Consolidated Statement of Operations

Year ended December 31, 1988 (in thousands)

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	1988 \$	1987 \$
SOURCES OF FINANCING		
Levy and User Charges		
Requisition on area municipalities	194,390	173,122
Transit fares	63,869	59,235
Sale of water	42,344	37,721
Sewer surcharge	15,270	11,013
Garbage disposal fees	6,143	5,988
Homes for the Aged resident fees	5,742	5,623
Day care fees	1,191	1,158
Other	5,327	5,490
	334,276	299,350
Contributions from Other Governments		
Ontario	227,786	227,221
Other municipalities	2,135	1,686
Canada	623	1,276
	230,544	230,183
Other		
Development charges	22,928	5,145
Investment income	13,992	10,002
Miscellaneous	3,151	2,668
	40,071	17,815
Proceeds from the Issue of Long Term Debt	34,364	559
	639,255	547,907
Reserves and Reserve Funds at beginning of year	131,822	97,723
	771,077	645,630

(See accompanying notes to consolidated financial statements.)

Consolidated Statement of Operations

Year ended December 31, 1988 (in thousands)

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	1988 \$	1987 \$
EXPENDITURE		
Current Operations		
Transit	126,538	117,900
Social services	110,883	98,073
Roads and traffic	44,766	45,394
Waterworks system	35,228	34,175
Day care	24,101	19,523
Homes for the Aged	20,863	19,113
Sewer system	19,812	19,234
General government	19,510	19,278
Health services	16,142	15,908
Planning and development	8,986	8,156
Children's Aid Society	4,882	4,300
Other	5,985	5,691
	437,696	406,745
Capital Operations		
Unfinanced capital operations at beginning of year	42,768	4,091
Roads and traffic	48,285	28,881
Transit	38,858	61,935
General government	24,917	18,318
Waterworks system	20,811	16,830
Sewer system	19,509	10,314
Garbage disposal	6,526	2,026
Other	7,338	7,436
	209,012	149,831
Total Expenditure	646,708	556,576
Balances at end of year		
Reserves and reserve funds	159,500	131,822
Unfinanced capital operations	(35,131)	(42,768)
	124,369	89,054
	771,077	645,630

(See accompanying notes to consolidated financial statements.)

Consolidated Statement of Reserves and Reserve Funds

Year ended December 31, 1988 (in thousands)

	1988 \$	1987 \$
Balance at beginning of year	131,822	97,723
Revenue		
Contributions from current operations	81,384	59,295
Investment income	13,979	9,997
Development charges	22,928	5,145
Other	17	52
Total Revenue	118,308	74,489
Expenditure		
Transfers to capital operations	87,046	36,857
Transfers to current operations	3,584	3,533
Total Expenditure	90,630	40,390
Balance at end of year	159,500	131,822
Analyzed as follows:		
Reserves		
Working capital	2,305	2,305
Deferred costs	1,738	897
Vested employee benefits	821	775
Inventory	281	265
Capital expenditures	224	422
Self-insurance		293
	5,369	4,957
Reserve Funds		
Capital expenditures	91,088	83,218
Development charges	26,349	12,564
Equipment replacement	10,632	8,915
Debenture currency exchange	7,666	7,639
Vested employee benefits	7,596	7,798
Levy and rate stabilization	5,661	2,981
Winter control	2,569	1,974
Self-insurance	2,570	1,776
	154,131	126,865
Balance at end of year	159,500	131,822

(See accompanying notes to consolidated financial statements.)

Note 1. Accounting Policies

These consolidated financial statements of The Regional Municipality of Ottawa-Carleton (the "Region") are the representation of management and are prepared in accordance with accounting policies prescribed for Ontario municipalities by the Ministry of Municipal Affairs. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves estimates which have been made using careful judgement.

a. Basis of Consolidation

These consolidated statements reflect the assets, liabilities, sources of financing and expenditures of the current fund, capital fund, reserves and reserve funds, and include the activities of all committees of Council and the Ottawa-Carleton Regional Transit Commission.

All interfund assets and liabilities, and sources of financing and expenditures have been eliminated with the exception of loans or advances between Reserve Funds and any other fund of the Region and the resulting interest income and expenditures.

Trust Funds at the Homes for the Aged are not consolidated but are reported separately on the "Trust Funds Statement of Continuity and Balance Sheet". There are no other non-consolidated entities.

b. Basis of Accounting

- (i) Sources of financing and expenditures are reported on the accrual basis of accounting with the exception of principal and interest charges on long term debt and vested leave benefits which may be paid on termination, both of which are charged against operations in the years in which they are paid. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services, and the creation of a legal obligation to pay.
- (ii) The historical cost and accumulated depreciation for fixed assets are not recorded for municipal purposes. Fixed assets are reported as an expenditure on the Consolidated Statement of Operations in the year of acquisition.
- (iii) Capital outlay which represents the outstanding principal portion of unmatured long term debt for municipal expenditures or capital funds transferred to other organizations is reported on the Consolidated Balance Sheet.
- (iv) Assets and liabilities, including long term debt expressed in a foreign currency, are translated into Canadian dollars at the current rate of exchange at the balance sheet date.

Notes to Consolidated Financial Statements

December 31, 1988

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- (v) Reserves are allocations out of current operations which are retained for general or specific purposes. Reserve Funds which usually require allocations out of current operations are supported by designated assets, usually cash and investments set aside by By-law for some specific future use.
- (vi) Inventories of materials and finished goods are reflected at cost, on the basis of average invoice price plus direct labour and overhead, where applicable.
- (vii) Debenture issue commissions and expenses as well as underwriting premiums are reflected in the Consolidated Statement of Operations in the year in which the debentures are issued. Underwriting discounts are reflected in the following year in accordance with section 187(3) of the Municipal Act.
- (viii) Investments are initially recorded at cost and are adjusted annually for amortization of discount or premium on the basis of the effective annual yield as determined at the date of purchase with the amount of such amortization included in investment income.
- (ix) The Ottawa-Carleton Regional Transit Commission has a defined benefit pension plan and uses an accrued benefit actuarial method and best estimate assumptions to value pension obligations. Adjustments arising from past service benefits and experience gains and losses are amortized over the expected average remaining service lives of the employee groups. Current service costs are expensed in the period.

Note 2. Change in Accounting Policy

The Province of Ontario has revised the reporting requirement for long term debt. Previously, long term debt expressed in a foreign currency was translated into Canadian dollars at the rate of exchange in effect when the transaction occurred. For 1988, this debt is translated at the current rate of exchange at the balance sheet date. The 1987 figures presented for comparative purposes have been restated to conform with the new presentation.

Note 3. Investments

Restricted investments are comprised of (in thousands):

	Amortized Cost	Par Value	Market Value
Regional debentures	\$23,948	\$24,254	\$24,726
Other investments	84,956	86,602	85,901
	108,904	110,856	110,627
Accrued interest	1,113	1,113	1,113
	\$110,017	\$111,969	\$111,740

Note 4. Pensions

- a. The Region provides pension benefits for its employees and members of Regional Council through the Ontario Municipal Employees' Retirement System (OMERS), as well as the City of Ottawa Superannuation Fund (COSF) for certain employees formerly with the City of Ottawa. These plans are defined benefits plans which specify the amount of retirement benefit to be received by the employees based on the length of service and rates of pay.

Actuarial evaluations of the OMERS and COSF plans were made on January 1, 1987 and December 31, 1987 respectively and no experience deficiency existed in either plan.

The Region's share of the annual contribution to these pension plans is charged to expenditures in the year in which the contribution is made.

- b. The Ottawa-Carleton Regional Transit Commission maintains a defined benefit plan which provides eligible employees with pensions based on length of service and final average earnings. The present value of accrued pension benefits as at December 31, 1988 was \$81,219,000 (\$72,962,000 in 1987). The net assets of the pension plan as at December 31, 1988, at market value, were approximately \$75,563,000 (\$63,363,000 in 1987).

Note 5. Liability for Vested Employee Benefits

The Region's liability with respect to employees' accumulated sick leave and annual leave days, to the extent that they are vested and could be taken in cash by an employee on termination, amounted to approximately \$13,161,000 as at December 31, 1988 (\$12,503,000 in 1987).

The Region has a Reserve and a Reserve Fund for vested employee benefits, the aggregate balances of which at December 31, 1988 amounted to \$8,417,000 (\$8,573,000 in 1987).

Notes to Consolidated Financial Statements

December 31, 1988

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Note 6. Net Long Term Debt

- a. The balance of net long term debt reported on the Consolidated Balance Sheet is comprised of (in thousands):

	1988	1987
Long term debt issued by the Region	\$440,254	\$404,910
Long term debt issued by area municipalities and assumed by the Region	8,316	9,508
Total gross long term debt	448,570	414,418
Less total value of the Sinking Fund which has been accumulated to the end of the year to retire outstanding long term debt	88,497	80,848
Total net long term debt	360,073	333,570
Less net long term debt recoverable from area municipalities and school boards	158,061	140,066
Net long term debt for Regional purposes only	\$202,012	\$193,504

- b. Principal payments including contributions to the Sinking Fund and interest charges for 1989 and future years are (in thousands):

	Principal	Interest	Total
1989	\$20,293	\$26,331	\$46,624
1990	20,574	24,554	45,128
1991	18,719	23,261	41,980
1992	19,698	21,342	41,040
1993	18,426	19,971	38,397
1994 - 1998	66,275	52,796	119,071
1999 and thereafter	16,953	13,263	30,216
	\$180,938	\$181,518	\$362,456

These charges will be paid from:

General municipal operations	\$148,309	\$154,795	\$303,104
Water operations	22,345	20,861	43,206
OC Transpo operations	10,284	5,862	16,146
	\$180,938	\$181,518	\$362,456

In addition, it is estimated that total interest to be earned by the Sinking Fund will amount to approximately \$21,074,000 which will be used to retire sinking fund debenture debt commitments at maturity.

- c. Included in net long term debt on the Consolidated Balance Sheet is an amount of \$60,062,000 (\$74,626,000 in 1987) representing the Canadian dollar equivalent of debt payable in U.S. dollars translated at the rate of exchange prevailing at December 31, 1988.

In addition, long term debt payable in U.S. currency for area municipality purposes (reported in note 6a) and recorded in Canadian dollars at the rate of exchange prevailing at December 31, 1988 amounts to CDN \$30,330,000 as at December 31, 1988 (CDN \$38,187,000 in 1987).

As at December 31, 1988, the Region has a Debenture Currency Exchange Reserve Fund in the amount of \$7,666,000 a portion of which is used each year to offset foreign exchange costs of the Region.

- d. The Region has exclusive authority to issue debentures for the purpose of financing its own projects and those of the area municipalities. All such debentures are direct, joint and several obligations of the Region and area municipalities. Area municipalities act as intermediaries for their respective electric utilities as no debt is issued directly on behalf of utilities by the Region. In addition, provincial legislation permits the Region to issue debentures for purposes of school boards within Regional boundaries.

The Region is therefore contingently liable for long term debt for which the responsibility for the payment of principal and interest has been assumed by the area municipalities and school boards. The total outstanding as at December 31, 1988 is \$158,061,000 (\$140,066,000 in 1987) and is not recorded on the Consolidated Balance Sheet.

Note 7. Charges for Net Long Term Debt (Regional Purposes)

Total charges for the year for net long term debt which are reported on the Consolidated Statement of Operations are (in thousands):

	1988	1987
Principal payment including contributions to the Sinking Fund	\$15,810	\$15,667
Interest	25,440	24,705
	<u>\$41,250</u>	<u>\$40,372</u>
These charges are paid from:		
General municipal operations	\$33,607	\$32,877
Water operations	6,103	6,218
OC Transpo operations	1,540	1,277
	<u>\$41,250</u>	<u>\$40,372</u>

Notes to Consolidated Financial Statements

December 31, 1988

Note 8. Fund Balances at End of the Year

- a. The unfinanced capital operations of \$35,131,000 (\$42,768,000 in 1987) at the end of the year will be financed from the proceeds of long term debt.
- b. Approval of the Ontario Municipal Board has been obtained for the pending issues of long term debt.
- c. A surplus of \$16,101,000 (\$3,281,000 in 1987) in the current operations fund was contributed to the following reserve funds as authorized by Council (in thousands):

	1988	1987
Levy Generated		
Capital expenditures		
General	\$7,735	\$ 571
Sewer	2,650	1,215
Transit	1,543	42
Winter control	408	
Levy stabilization — day care	95	
Rate Generated		
Capital expenditures		
Water	1,367	849
Landfill		604
Rate stabilization — sewer	2,303	
	<u>\$16,101</u>	<u>\$3,281</u>

Note 9. Contingent Liabilities

- a. A number of major landlords within the Region have instituted an action appealing the method used in calculating the assessment of multi-unit dwellings. The County Court has reversed a decision of the Assessment Review Court and has ruled in favour of the appellants, but the decision is being appealed to the Ontario Municipal Board. Due to the degree of uncertainty in establishing the validity and the quantum of the claims, no provision has been recognized in the accounts of the Region.
- b. The Region has other outstanding litigation and claims in dispute as at December 31, 1988 the settlement of which is not expected to have any material effect upon the current operations of the Region and accordingly, no provision has been made in the accounts.

Note 10. Non-accrual of Interest on Long Term Debt

No provision has been made in the consolidated financial statements for the accrual of interest on net long term debt. Had this provision been made for the first time in 1988, there would have been an additional charge of \$7,989,000 (\$7,550,000 in 1987). There would have been no change in the fund balance for current operations as this additional amount would have been levied in the year of change.

Note 11. Commitments

- a. The Region has commitments with respect to outstanding contracts on capital projects at December 31, 1988 in the amount of \$138,477,000 (\$53,780,000 in 1987).
- b. The Region is also committed to the following payments over the next five years under various lease agreements (in thousands):

1989	\$3,485
1990	2,629
1991	573
1992	497
1993	205

Note 12. Budget Figures Not Provided

Budgets established for Capital Funds, Reserves and Reserve Funds are project oriented. As such, they are not directly comparable with current year actual amounts and budgets have therefore not been shown on the Consolidated Statement of Operations.

Note 13. Public Liability Insurance

- a. The Region is self-insured for public liability claims up to \$50,000 per single occurrence. Outside coverage up to \$10,000,000 is in place for claims in excess of these limits.

The Region has a reserve fund for self-insurance which at December 31, 1988 amounted to \$913,000 (\$1,026,000 in 1987) and is reported on the Consolidated Balance Sheet. The provision for the year of \$100,000 (\$100,000 in 1987) has been reported as an expenditure on the Consolidated Statement of Operations.

- b. The Commission is self-insured for public liability claims up to \$2,000,000 for any individual claim and \$2,000,000 for any number of claims arising out of a single occurrence. Outside coverage is in place for claims in excess of these limits up to a maximum of \$5,000,000.

The Ottawa-Carleton Regional Transit Commission has a reserve fund for self-insurance which at December 31, 1988, amounted to \$1,657,000 (\$1,043,000 in 1987) and is reported on the Consolidated Balance Sheet. The provision for the year of \$500,004 (\$750,000 in 1987) has been reported on the Consolidated Statement of Operations. The Commission plans to fund the reserve to an amount of \$2,000,000.

Note 14. Financial Statement Presentation

Certain of the 1987 comparative amounts have been reclassified to conform with the presentation adopted in 1988. Specifically, the 1987 current operations deficit of \$263,000 relating to Day Care operations has been combined with other liabilities on the Consolidated Balance Sheet and with Day Care expenditures on the Consolidated Statement of Operations.

Auditors' Report

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A MEMBER OF ARTHUR YOUNG INTERNATIONAL

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To the Chairman and Members of Council
of The Regional Municipality of Ottawa-Carleton:

We have examined the balance sheet of the Homes for the Aged - Trust Funds as at December 31, 1988 and the statement of continuity of trust funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances, except as described in the following paragraph.

The Homes for the Aged - Trust Funds derives deposits from residents the completeness of which is not susceptible to conclusive audit verification. Accordingly, we were unable to determine whether any adjustments for unrecorded receipts might be necessary to deposits from residents and to the balances of cash and due to residents at the end of the year.

In our opinion, except for the effect of any adjustments which might have been required had we been able to satisfy ourselves with respect to the deposits described in the preceding paragraph, these financial statements present fairly the financial position of the Homes for the Aged - Trust Funds as at December 31, 1988 and the continuity of trust funds for the year then ended in accordance with the accounting principles described in the note to the financial statements applied on a basis consistent with that of the preceding year.

Ottawa, Canada,
April 7, 1989.

Clarkson Gordon
Clarkson Gordon
Chartered Accountants

Homes for the Aged Trust Funds
Year ended December 31, 1988

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STATEMENT OF CONTINUITY

	Island Lodge	Carleton Lodge	Centre D'Acueil Champlain	1988 Total	1987 Total
Balance at beginning of year	\$1,151,400	\$275,601	\$152,556	\$1,579,557	\$1,529,765
Deposits from residents	735,945	199,731	189,698	1,125,374	1,003,334
Interest earned	90,527	22,157	11,265	123,949	92,099
	<u>1,977,872</u>	<u>497,489</u>	<u>353,519</u>	<u>2,828,880</u>	<u>2,625,198</u>
Payments to or on behalf of residents	849,703	194,191	189,602	1,233,496	1,045,641
Balance at end of year	<u>\$1,128,169</u>	<u>\$303,298</u>	<u>\$163,917</u>	<u>\$1,595,384</u>	<u>\$1,579,557</u>

BALANCE SHEET

Assets					
Cash	<u>\$1,128,169</u>	<u>\$303,298</u>	<u>\$163,917</u>	<u>\$1,595,384</u>	<u>\$1,579,557</u>
Liabilities					
Due to residents	<u>\$1,128,169</u>	<u>\$303,298</u>	<u>\$163,917</u>	<u>\$1,595,384</u>	<u>\$1,579,557</u>

(See accompanying note to financial statements.)

Homes for the Aged Trust Funds
Note to Financial Statements
December 31, 1988

Significant Accounting Policies

The financial statements of the Homes for the Aged Trust Funds of The Regional Municipality of Ottawa-Carleton have been prepared by management within reasonable limits of materiality and in accordance with accounting policies which conform to accounting principles prescribed for Ontario municipalities and on a basis consistent with that of the preceding year. The following is a summary of the significant accounting policies of the Homes for the Aged Trust Funds:

- a) Deposits from residents and payments to or on behalf of residents are recorded on a cash basis.
- b) Interest earned is recorded one month in arrears.

Five-Year Review

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(All dollar amounts are in thousands except where indicated)					
	1988	1987	1986	1985	1984
Statistical Information					
Population	623,135	614,223	605,545	599,688	581,104
Households	258,255	250,880	245,052	237,726	231,237
Regional employees					
Active	4,807	4,630	4,638	4,483	4,346
Equalized assessment					
Total (millions)	40,091	34,277	29,623	24,518	21,075
Per household	155	137	121	103	91
Current Revenue					
Levies	194,390	173,122	155,159	140,146	123,375
Grants	182,738	163,755	142,867	124,676	111,656
Other	146,301	133,585	127,612	114,190	100,878
Total (note 1)	523,429	470,462	425,638	379,012	335,909
Current Expenditure					
Fiscal	126,982	104,088	92,732	80,172	68,064
Operating	396,447	366,637	332,906	296,284	269,848
Total (note 1)	523,429	470,725	425,638	376,456	337,912
Per household (dollars)	2,027	1,876	1,737	1,584	1,461
Capital Financing					
Subsidies	47,794	64,741	42,613	54,582	61,678
Debentures	34,364	559	28,289	24,406	26,513
Own Funds	91,394	41,582	47,543	35,453	28,716
Other	328	181	265	238	351
Total (note 1)	173,880	107,063	118,710	114,679	117,258
Capital Expenditure					
Transportation	87,143	90,816	81,742	91,677	87,838
Other	79,101	54,924	36,567	24,071	28,395
Total (note 2)	166,244	145,740	118,309	115,748	116,233
Per household (dollars)	644	581	483	487	503
Net Long Term Debt					
Total	202,012	193,504	218,423	210,644	200,112
Per household (dollars)	782	771	891	886	865
% of equalized assessment	0.50	0.56	0.74	0.86	0.95
Reserves and Reserve Funds					
	159,500	131,822	97,723	83,248	73,786

Note 1 - Current revenue, current expenditure and capital financing include interfund transfers which are eliminated on the Consolidated Statement of Operations.

Note 2 - Total capital expenditure does not include "Unfinanced capital operations at beginning of year" included in the comparable totals on the Consolidated Statement of Operations.

Note 3 - Statistical information is not subject to audit.